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E.O. 11652: GDS

TAGS: PFOR

SUBJECT: MORNING SUMMARY OF SIGNIFICANT REPORTS

1. SOARES: PORTUGAL IN REVIEW

PRIME MINISTER SOARES TOLD VISITING SENATOR BROOKE THAT THE CRITICAL PROBLEM IN PORTUGAL IS TO LINK ECONOMIC STABILIZATION AND DEMOCRACY. IF THE GOP CAN ACCELERATE ECONOMIC RECOVERY, JOIN THE COMMON MARKET, AND COUNT ON FINANCIAL SUPPORT FROM THE US, IT WILL HAVE PASSED THE WORST STAGE IN CONSOLIDATING DEMOCRACY IN PORTUGAL. SOARES ALSO SAID THAT THE GOVERNMENT:

--HAS MADE STRIDES IN IMPROVING THE ECONOMIC CLIMATE, AS EVIDENCED BY REDUCED ABSENTEEISM, A PROJECTED FIVE
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PERCENT GNP INCREASE, AND A 93 PERCENT RISE IN TOUR-

ISM;

--IS MOVING VIGOROUSLY AGAINST COMMUNIST PENETRATION
OF THE MINISTRIES OF EDUCATION, AGRICULTURE, AND LABOR;
AND

--NEEDS TO DO MORE TO DEFEAT COMMUNIST DOMINATION OF
UNIONS, WHICH IS THE MOST VULNERABLE POINT OF THE
ENTIRE ECONOMIC STRUCTURE.

TURNING FROM ECONOMICS TO POLITICS, SOARES CLAIMED:

--THE COMMUNISTS WILL NEVER VOTE FOR THE DOWNFALL OF
THE GOVERNMENT, AS THEY FEAR RIGHTIST MILITARY INTER-
VENTION.

--THE RESULTS OF THE DECEMBER 12 MUNICIPAL ELECTIONS
WILL NOT SIGNIFICANTLY ALTER THE EXISTING SITUATION.

--BOTH GOVERNMENT AND THE OPPOSITION STILL HAVE A LOT
TO LEARN TO MAKE THE INEFFICIENT ASSEMBLY FUNCTION
PROPERLY. (CONFIDENTIAL) LISBON 8425, 12/7.)

2. FRG: PARTING IS SUCH SWEET SORROW

EMBASSY BONN REPORTS THAT THE CDU'S KOHL AND THE CSU'S
STRAUSS, UNABLE TO OVERCOME THEIR DIFFERENCES, ISSUED A
JOINT COMMUNIQUE DECEMBER 6 WHICH SPELLED THE END OF THEIR
27-YEAR POLITICAL ALLIANCE. ACCORDING TO THE EMBASSY:

--KOHL GAVE THE CSU AN ULTIMATUM TO REVERSE ITS DECI-
SION TO FORM A SEPARATE FRAKTION IN THE BUNDESTAG AND
FORESWEAR FOURTH PARTY AMBITIONS OR FACE CDU COMPETI-
TION IN BAVARIA.

--STRAUSS REFUSED TO YIELD, AS RETREAT WOULD HAVE
COST HIM THE CHAIRMANSHIP OF THE CSU.

UNDER BUNDESTAG RULES, ONCE THE TWO PARTIES COMPETE IN AN
ELECTION, THEY CANNOT FORM A FRAKTION WITHOUT THE CONSENT
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OF THE MAJORITY OF THE BUNDESTAG.

EMBASSY COMMENT: THERE IS STRONG INDICATION THE CDU PLANS
TO MOVE INTO BAVARIA. IF SO, IT WILL BE ONLY A MATTER OF
TIME BEFORE THE CSU GOES NATIONWIDE. OVER THE LONG RUN,
THE CENTRIFUGAL FORCES CREATED BY STRAUSS' ACTION ARE UN-
PREDICTABLE, BUT THE PROLIFERATION OF SPLINTER PARTIES IS
A DISTINCT POSSIBILITY. (CONFIDENTIAL) BONN 20580, 12/7.)

3. GISCARD'S TRIP TO YUGOSLAVIA

THE QUAI'S EASTERN EUROPEAN CHIEF TOLD EMBASSY PARIS THAT PRESIDENT GISCARD'S VISIT TO BELGRADE DECEMBER 6-7 IS AIMED AT UNDERSCORING FRENCH INTEREST IN YUGOSLAVIA'S CONTINUED INDEPENDENCE AND SECURITY. DESPITE THE LARGE SIZE OF THE FRENCH DELEGATION, IT IS UNLIKELY THAT MAJOR AGREEMENTS WILL EMERGE FROM THE VISIT. ACCORDING TO THE SOURCE, THE JOINT COMMUNIQUE HAS BEEN DELAYED BY YUGOSLAV CHANGES WHICH THE GOF REJECTED OR DEFLECTED. THESE INCLUDE:

--SPECIFIC REFERENCE TO "COOPERATION IN THE FIELD OF ARMAMENTS;"

--OBLIQUE ENDORSEMENT OF NON-ALIGNMENT; AND

--THE MALTESE THESIS THAT THE US AND THE USSR SHOULD LEAVE THE MEDITERRANEAN A "LAKE OF PEACE" AND THAT THE MEDITERRANEAN STATES SHOULD PARTICIPATE IN THE BELGRADE CSCE MEETING. (CONFIDENTIAL) PARIS 36091, 12/7.)

4. MORE OIL ON SINAI WATERS

THE EGYPTIAN GENERAL PETROLEUM CORPORATION HAS ANNOUNCED THAT IT IS IN THE PROCESS OF COMPLETING NEGOTIATIONS WITH THREE COMPANIES, INCLUDING GULF OIL AND CONOCO, FOR AWARDS OF EXPLORATION AND PRODUCTION AGREEMENTS FOR ON-AND OFF-SHORE BLOCKS IN THE SINAI. MINISTRY OF FOREIGN AFFAIRS LEGAL DIRECTOR AL-ARABY TOLD EMBASSY CAIRO THAT ACCESS TO THOSE BLOCKS IN THE BUFFER ZONE WOULD BE WORKED OUT BETWEEN THE EGYPTIAN GOVERNMENT AND THE UN, BUT THAT SINCE THE

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SINAI AGREEMENT IS SILENT ON THE QUESTION OF CIVILIAN ACTIVITY AND SINCE THE AREA IS SOVEREIGN EGYPTIAN TERRITORY, HE FORESAW NO PROBLEM IN GAINING ACCESS.

EMBASSY COMMENT: CONOCO HAS TOLD US THAT THEY INTEND TO WRITE THE AGREEMENT SO THAT THEY BEAR NO RESPONSIBILITY FOR PROCURING PERMITS TO WORK THEIR AREA. WE CAN NEVERTHELESS EXPECT TO BE DRAWN INTO THE MATTER SOONER OR LATER. (CONFIDENTIAL) CAIRO 16748, 12/6.)

5. LOPEZ PORTILLO: THE FIRST FIVE DAYS

THE ATTENDANCE OF WORLD LEADERS AT PRESIDENT LOPEZ PORTILLO'S INAUGURATION WAS A BOOST TO MEXICAN PRIDE AND HELPED BUILD A SPIRIT OF SELF-CONFIDENCE ABSENT IN THE

WANING MONTHS OF THE ECHEVERRIA ADMINISTRATION. ACCORD-
ING TO EMBASSY MEXICO:

--THE PRESIDENT, IN MAKING CLEAR THAT HE EXPECTS
SCRUPULOUS HONESTY AND DEDICATION, HAS LAID A GOOD
FRAMEWORK FOR RESTORING CONFIDENCE IN THE GOVERNMENT.

--HOWEVER, EXPECTATIONS ARE HIGH AND THERE IS BOUND
TO BE SOME DISILLUSIONMENT WHEN HE DOESN'T PERFORM
MIRACLES.

-

EMBASSY COMMENT: THE QUESTION IS HOW LONG THE ATMOSPHERE
OF "GOOD FEELINGS" WILL CONTINUE. PUBLIC CONFIDENCE WILL
PROBABLY CONTINUE UNTIL EARLY NEXT YEAR, WHEN OPINION
LEADERS WILL HAVE HAD A CHANCE TO SURVEY DEVELOPMENTS AND
TO DETERMINE WHETHER THE CHANGES NOW TAKING PLACE ARE
SHADOW OR SUBSTANCE. (CONFIDENTIAL) MEXICO 15381, 12/7.)

6. FTAI: SOMALIS BACKING OFF?

THE SOMALI GOVERNMENT HAS RECENTLY GIVEN TWO PUBLIC INDICA-
TIONS THAT IT HAS NO INTENTION OF FORCIBLY ANNEXING THE
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--THE FTAI MINISTER OF PUBLIC WORKS, MOHAMED ELABE,
AFTER A VISIT TO MOGADISCIO, SAID THERE WAS NO TRUTH
TO RUMORS THAT SOMALIA WANTS TO ANNEX THE FTAI.

--FIVE LEADERS OF THE SOMALI-SPONSORED SOMALI COAST
LIBERATION FRONT WERE EXPELLED FROM THE ORGANIZATION
FOR "CONSPIRACY TO OBSTRUCT THE INDEPENDENCE OF
DJIBOUTI."

EMBASSY MOGADISCIO COMMENT: ELABE'S STATEMENT WAS UNDOUBT-
EDLY AUTHORIZED BY THE SOMALI GOVERNMENT. THESE ACTIONS
REFLECT A DELIBERATE EFFORT BY THE GOVERNMENT TO MUTE OVERT
ANNEXATIONIST APPEALS AND PROVOCATIVE ACTS THAT INCREASE
THE RISK OF ETHIOPIAN COUNTER-REACTION. THE SOMALIS APPEAR
TO BELIEVE THAT IF THEY CAN AVOID AN ARMED CONFLICT WITH
ETHIOPIA, THEY STAND A REASONABLE CHANCE OF ACQUIRING
DJIBOUTI THROUGH POLITICAL MEANS. (CONFIDENTIAL) MOGADIS-
CIO 1975, 12/5 AND 1993, 12/7.) ROBINSON

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